

HIGHLIGHTS

FROM

2015 LEAGUE OF WOMEN VOTERS OF KANSAS E-REPORT #1

2015 BUDGET PUZZLE IN KANSAS

Tax cuts, revenue shortfall and budget cuts: challenges achieving a Balanced Budget
Funding Education: monetary decisions could impact the judiciary
Privatization could touch all activities controlled by state government

Water

State Water Plan cuts: could mean less dredging and more water rights fights

Poverty

In Kansas, kids lose benefits and families suffer

Taxes

Many possibilities to raise but the regressive sales tax always emerges as choice

Agriculture

Mega operations could win incentives; state sovereignty arguments surface

Energy /Utilities

Renewable Portfolio Standard will be fought; cost increases will result

Local Elections

Consolidating spring/fall elections is complex

Legislative Information

Website: www.kslegislature.org: displays information about daily happenings
To date: 20 bills pre-filed: read them, follow them, keep informed
Get ready to sit in on hearings; contact your Legislator

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2015 LEAGUE OF WOMEN VOTERS OF KANSAS E-REPORT #1

January 6, 2015 – Paul Johnson

THE POLICY PUZZLE IN KANSAS

What now? After a vacuous, plutocrat-funded election of policy evasions and State budget in deficit by hundreds of millions of dollars and more income tax reductions slated for years to come. Just to get through the 2015 budget, the Governor has to sweep highway, pharmaceutical and children's fee funds and arbitrarily cut an additional 4% from most state agencies. For 2016, the deficit is now \$648 million which equates to 11% of the State General Fund (without establishing an ending balance for cash flow needs). The Governor has been clear to reporters that his 49% of the vote was another mandate to further dismantle government, redefine what 'core' governmental services mean and make do with declining revenues. There will be no dissenting voices representing the other 49% of the electorate at this governing table.

mistruths, the governing puzzle is now here. The revenue picture is grim with the What now? The district court of Shawnee County has ruled that the school funding formula is underfunded by at least \$529 million. The Kansas Supreme Court will now have to decide this case in an atmosphere of inadequate court system funding and efforts to further politicize the selection of Supreme Court justices. Since privatization of governmental services is always the right answer and 20% of the state budget - in the \$3 Billion Medicaid program - was given over to connected special interests, is it now time to re-write the public school funding formula – that represents 50% of the state budget - by taking out the word 'public' thus cutting a voucher payment to parents and wishing them well in finding a school for their child? This would be a simple calculation and funded by whatever revenue is available.

What now? Since Kansas has privatized its foster care system, the Medicaid program – now called KanCare – and the child support system (that provides payments to over 300,000 children), what other assets could be considered? Indiana sold their turnpike. Arizona sold its capitol and is leasing it back. Why should Kansas have a publicly owned Kansas University Hospital when it could be sold and run by one of the mega-hospital chains? With Kansas' continual recruitment and tax favors offered to mega-dairies and hog factories, why not buyout a few thousand aging western Kansas residents and sell a couple counties to Seaboard or Cargill? These companies could self-regulate in their own sovereign territory.

What now? As a result of the legislation enacted in 2012 and 2013, individual income tax revenues will decline by \$999 million in 2016, \$1.099 Billion in 2017, \$1.263 Billion in 2018 and \$1.568 Billion in 2019 for a cumulative total of \$6.796 Billion from 2013 to 2019 as reported by the Department of Revenue. For perspective - the entire State General Fund budget is now \$6 Billion. Prior to these income tax reductions, the income tax accounted for 23% of combined state and local tax revenue. On January 15 at the Governor's State of the State address, Kansans will learn what leadership will be provided to rectify this revenue and budgetary crisis.

State budgets have been cut for five years since the Great recession of 2009 so a further 8-12% reduction for 2016 can only mean wholesale termination of certain programs and significant cuts in education spending. Just to cover the court's finding of underfunding education by \$529 million, it would take an increase of the state sales tax from 6.15% to 7.55% or an increase of property taxes from 20 to 38 mills. Can this on-going crisis bring consensus in Kansas?

2015 KANSAS LEGISLATIVE ISSUES

The budget crisis will suck most of the policy oxygen out of the Capitol. In the shadow of this budget upheaval, normal, 'special interest' legislation will be covered less. As media coverage continues to shrink at the Capitol, the real cost of downsizing state programs is unreported in this political mayhem. The Governor has stated that his priorities are rewriting the school funding formula and trimming the Kansas Public Employee Retirement System (KPERS) along with addressing child poverty and developing a water supply vision for Kansas. The Democrats have stated they want a debate on the expansion of Medicaid and an increase in the minimum wage. There will probably be another effort at a constitutional amendment to give the Governor the authority to select Supreme Court justices with the consent of the Kansas Senate.

WATER

In light of the budget deficit, it seems unlikely that the full funding of the state water plan (SWP) with \$6 million from the State General Fund and \$2 million from lottery funds will occur. So instead of a \$25 million SWP – it will be a \$15 million SWP. The cost of dredging John Redmond reservoir will further reduce funding to other water quality programs in the SWP. The Governor has commented that further dredging costs of more reservoirs may have to be funded by municipal water users and possibly local units of government. The 50 year water supply vision will be presented to the Legislature and may be the catalyst for water wars such as 1) permitting water transfers between watersheds; 2) filing for water rights from the Missouri River; and 3) opening up the water appropriations act to promote economic development rights over natural, ecologically-based rights.

AGRICULTURE

It seems likely that the Kansas Department of Agriculture will once again propose the complete elimination of any restrictions on corporate agriculture thus denying counties any say over the development of mega-hog operations. The recruitment of mega-dairies will continue with favorable tax avoidance laws and economic development incentives funded by all taxpayers in the state. Legislation may be re-introduced to limit or terminate conservation easements when land is sold. State sovereignty schemes will be advanced to permit all land use activities by lawfully ignoring federal environmental restrictions pertaining to certain threatened or endangered species.

ENERGY/UTILITIES

The existing Renewable energy Portfolio Standard (RPS) - that mandates investor owned electric utilities must have 20% of their generation mix from renewable energy – will come under attack to be immediately terminated or phased out over a few years. Westar's low cost water supply contract from John Redmond reservoir - that supplies cooling water for the Wolfcreek Nuclear Plant – expires. A new contract with today's water supply rates will be much more expensive so this will be a subject of debate in terms of cost and funding that goes into the SWP. Both Westar and KCP&L have significant rate increase cases in 2015 before the Kansas Corporation Commission. These rate cases will utilize new laws passed in 2014 to determine cost recovery for energy efficiency investments by the utilities and net metering mechanisms to determine rates and costs by households who generate their own electricity from solar panels or small wind systems. These new laws may need to be reviewed in 2016.

LOCAL ELECTIONS

Several bills have been introduced over the last two years to move local, spring elections to the fall to hopefully increase voter participation. This fall there was an interim committee on elections that had three full days of hearings. Experts from across the country were invited to compare and contrast Kansas election laws with laws in several other states. There is tremendous complexity here when the debate turns to 1) partisan versus non-partisan elections, 2) the length of ballots in combining spring and fall elections, 3) the cost of training poll workers to handle multiple electoral ballots and 4) the bizarre number of school, city, county, community college and drainage districts that produces numerous ballot styles for all counties. This interim committee was only informational. There will be new legislation introduced and many days of testimony to find some consensus if that is possible.

POVERTY

One of the Governor's roadmap priorities was to reduce child poverty in Kansas. From 2008 to 2013, the number of poor children increased 33% (99,800 to 132,500) while total child population went up only 3%. The primary low-income family child welfare program is the Temporary Assistance for Needy Families (TANF). As the Department of Children and Families (DCF) have tightened access to TANF via rules and regulations without any public input, the number of participants has fallen from 38,963 in 2011 to 15, 837 in 2015 which involved 15,379 children being terminated. In 2014, the foster care caseloads hit an all-time high. As these mothers struggle to survive in the minimum wage world, one would think the need for child care would increase but further restrictive DCF rules dropped the number of child care slots from 20,319 in 2010 to 13,314 today. The majority of low-income families live in rental housing. 40% of all renters in Kansas are cost-burdened by spending more than 35% of their income for housing. These struggling TANF parents would benefit from targeted job training, education and support services such as subsidized child care but the Governor takes the unused

state/federal TANF block grant funds from these decimated caseloads to fund third grade reading programs. In 2013, Kansas had roughly 350,000 medically uninsured residents. 151,170 of these residents would qualify if Medicaid is expanded.

TAXES

There will be many tax bills offered to balance the budget cuts. It is hard to say if any tax proposals will pass and the longer the debate goes on the longer it will take to bring in new revenues while the budget crisis deepens. Sales and income tax comprise 90% of all state tax revenues. While the sales tax brings in \$2.5 Billion and the individual/corporate income tax brings in \$2.6 Billion of the \$5.6 Billion State General Fund, other taxes - such as motor fuels (\$441 million), liquor/beer (\$95 million) and cigarette/tobacco (\$97 million) – could be raised and bring in tens of million. This compares to the income tax loss from 2013 to 2014 of \$703 million. A freeze on further individual income tax rate reductions for 2016 would net \$113 million. The annual cost of eliminating the business income taxes on 192,000 LLC's, Subchapter-S corps, and sole proprietorships was estimated at \$160 million but is now over \$200 million. If this tax cut was limited to business income under \$100,000, the increased revenues would be close to \$100 million. Unfortunately the most popular and most regressive tax is the sales tax. For perspective, Kansas is just one of 14 states that have a sales tax on food and our 6.15% state sales tax (with most locales adding 1-2%) is the second highest behind only Mississippi's 7% state sales tax on food.

KANSAS LEGISLATIVE INFORMATION

This website <www.kslegislature.org> is the primary source of information for the Kansas Legislature. You can read the bills and track the progress of all bills through the daily Calendars and Journals. There are no bills carried over from last year. So far for 2015, 11 House and 9 Senate bills have been pre-filed. The bills filed in 2015 will be carried over to 2016. (For the 2013 and 2014 session, there were 1,071 bills filed, a few hundred given hearings and 142 became law.) The House and Senate committee assignments are listed on this website along with contact information for each lawmaker. As bills are given committee hearings, informational notes and fiscal impacts are developed by staff and listed with the bill on this website.